

What They're Saying...

About The Impact Of The Foreclosure Crisis

On The Nation's Economy...

FDIC Chairman Sheila Bair – The Foreclosure Crisis Threatens To “Derail U.S. Economic Expansion”: “The reduced availability of mortgage credit has placed further downward pressure on home sales and home prices in a self-reinforcing cycle that now threatens to derail the U.S. economic expansion.” (Sheila Bair, U.S. Senate Committee on Housing, Banking and Urban Affairs, [Testimony](#), 1/31/08)

Federal Reserve Chairman Ben S. Bernanke – The Subprime Mortgage Crisis Has “Triggered A Substantial Reaction In Other Financial Markets”: “The subprime mortgage market also triggered a substantial reaction in other financial markets. At some level, the magnitude of that reaction might be deemed surprising, given the small size of the U.S. subprime market relative to world financial markets. Part of the explanation for the outsized effect may be that, following a period of more-aggressive risk-taking, the subprime crisis led investors to reassess credit risks more broadly and, perhaps, to become less willing to take on risks of any type. Investors have also been concerned that, by further weakening the housing sector, the problems in the subprime mortgage market may lead overall economic growth to slow.” (Ben S. Bernanke, Women in Housing and Finance and Exchequer Club Joint Luncheon, [Speech](#), 1/10/08)

Secretary Of The Treasury Henry M. Paulson, Jr. – “The Biggest Risk To The Economy Is The Housing Problem”: “The biggest risk to the economy is the housing problem right now, the housing slump. I've found that when I go around to different areas of the country where there are issues and talk to people, I learn. And so I was in Orlando, Florida yesterday, I was in Kansas City earlier today, and now here. Three different cities, different economic make-ups, different issues, but they all have one thing in common; they all have high rates of foreclosure.” (Henry M. Paulson, Jr., “Governor, U.S. Treasury Secretary Paulson, Hold Stockton Town Hall,” [Speech](#), 12/18/07)

On California...

RealtyTrac – “California Documented The Highest Number Of Foreclosure Filings And The Most Properties In Some Stage Of Foreclosure In 2007”: “California documented the highest number of foreclosure filings and the most properties in some stage of foreclosure in 2007” “With a total of 481,392 foreclosure filings on 249,513 properties during the year, California documented the highest number of foreclosure filings and the most properties in some stage of foreclosure in 2007. The state's total foreclosure filings more than tripled from 2006, and the state's 2007 foreclosure rate — 1.9 percent of its households entering some stage of foreclosure during the year — ranked fourth highest among the states.” (RealtyTrac, “U.S. Foreclosure Activity Increases 75 Percent In 2007,” [Press Release](#), 1/29/08)

Legislative Analyst Elizabeth Hill – “Continuing Problems In The Housing Sector” One Of Main Forces “Holding Down Economic Growth In California”: Both the national and California economies are expected to experience slower growth in 2008 than in 2007—especially in the earlier parts of 2008—followed by somewhat better but still modest growth in 2009. Continuing problems in the housing sector and high energy prices will be the main forces holding down growth. (Legislative Analyst's Office, “2008-09: Overview of the Governor's Budget,” [Report](#), 1/14/08)

Center For Responsible Lending California Office Director Paul Leonard – “California Is The Epicenter Of The National Foreclosure Crisis, And The Worst Is Still Ahead”: “California is the epicenter of the subprime foreclosure crisis...Because of reckless lending practices in the subprime market and voracious investor demand for the resulting loans, 2.2 million families nationwide—and nearly 500,000 in California—have lost or will lose their homes to foreclosure, according to CRL estimates from last December. These foreclosures already are occurring in record numbers, and the worst is still ahead.” (Paul Leonard, U.S. House of Representatives Committee on Financial Services-Subcommittee on Housing And Community Opportunity, [Testimony](#), 11/30/07)

National Consumer Law Center Attorney Tara Twomey – “For California The Picture Is Even Bleaker Than That Of The United States As A Whole”: “For California the picture is even bleaker than that of the United States as a whole. The most recent data available shows 148,147 foreclosure filings on 94,772 properties in California for the third quarter of 2007.” (Tara Twomey, U.S. House of Representatives Committee on Financial Services- Subcommittee on Housing And Community Opportunity, [Testimony](#), 11/30/07)

On Local Government...

Los Angeles Mayor Antonio Villaraigosa – “The Foreclosure Crisis Will Only Serve To Sharpen The City’s Budgetary Challenges”: “Cities faced with widespread foreclosures face rising costs for increased policing, building inspections, administration of the foreclosure process, and maintenance and/or demolition of abandoned buildings...The negative fiscal impact of the foreclosure crisis will only serve to sharpen the City’s budgetary challenges.” (Antonio Villaraigosa, U.S. House of Representatives Committee on Financial Services- Subcommittee on Housing And Community Opportunity, [Testimony](#), 11/30/07)

San Diego City Council President Pro Tem Anthony Young – “As The Amount Of Foreclosed Properties Increase, Our Property Tax Revenue Will Decrease”: “We know that the more foreclosures there are the lower our property values go. As the amount of foreclosed properties increase, our property tax revenue will decrease as the tax collector begins to assess vacant and devalued homes.” (Anthony Young, U.S. House of Representatives Committee on Financial Services- Subcommittee on Housing And Community Opportunity, [Testimony](#), 11/30/07)

Senate Joint Economic Committee – From Mid 2007 To The End Of 2009 “States And Local Governments Will Lose More Than \$917 Million In Property Tax Revenue” Due To Subprime Foreclosures: “Approximately \$71 billion in housing wealth will be directly destroyed through the process of foreclosures; More than \$32 billion in housing wealth will be indirectly destroyed by the spillover effect of foreclosures, which reduce the value of neighboring properties; States and local governments will lose more than \$917 million in property tax revenue as a result of the destruction of housing wealth caused by subprime foreclosures.” (Senate Joint Economic Committee, “The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenues, and How We Got Here,” [Report](#), 10/07)

Former U.S. Department Of Housing And Urban Development Assistant Secretary Of Housing William C. Apgar – A Single Mortgage Failure Can Generate “Direct Municipal Costs That In Some Cases Exceed \$30,000 Per Property”: “A single mortgage failure, especially one that leaves the home vacant and unsecured, can impose tens of thousands of dollars of costs on cash-strapped public agencies...Foreclosures are not only expensive to borrowers and lenders, but they involve more than a dozen agencies and twice as many specific municipal activities, and generate direct municipal costs that in some cases exceed \$30,000 per property.” (William C. Apgar and Mark Duda, “Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom,” [Report](#), 5/11/05)

On Neighborhoods...

Association Of Community Organizations For Reform Now (ACORN) – “Foreclosures Harm Entire Neighborhoods”: “Foreclosures – and the spikes in crime and depreciating property values they cause – harm entire neighborhoods. Houses that become vacant tend not to be well maintained and detract from the neatness and feeling of well being in neighborhoods. Vacant houses have been shown to attract crime and make it more difficult for neighbors to purchase homeowners insurance.” (ACORN, “Foreclosure Exposure: A study of racial and income disparities in home mortgage lending in 172 American cities,” [Report](#), 9/5/07)

Center For Responsible Lending – “Homeowners Living Near Foreclosed Properties Will See Their Property Values Decrease \$5,000 On Average”: “We project that, nationally, foreclosures on subprime home loans originated in 2005 and 2006 will have the following impact on the neighborhoods and communities in which they occur: 40.6 million neighboring homes will experience devaluation because of subprime foreclosures that take place nearby; the total decline in house values and tax base from nearby foreclosures will be \$202 billion; homeowners living near foreclosed properties will see their property values decrease \$5,000 on average.” (Center for Responsible Lending, “Subprime Spillover: Foreclosures Cost Neighbors \$202 Billion; 40.6 Million Homes Lose \$5,000 on Average,” [Report](#), 1/18/08) and (Dan Immergluck and Geoff Smith, “The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values,” [Report](#), 2006)

San Francisco Chronicle – “Foreclosure-Related Evictions Of Renters Show How Fallout From The Mortgage Meltdown Can Spread Even To People Who Don't Own Houses”: “In November, a Chronicle analysis of Bay Area foreclosures showed that about one-fifth had nonresident owners. Presumably many of those investor-owners rented out their properties to produce income. Foreclosure-related evictions of renters show how fallout from the mortgage meltdown can spread even to people who don't own houses.” (Carolyn Said, “Foreclosures leave renters in the lurch,” [San Francisco Chronicle](#), 2/7/08)